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Mury Salls
President

Major Mailers Association

Jim Cole
Vice President

An Organization Of Quality First Class Mailers

John DePiazza
Chief Financial Officer

David Maloney
Secretary

February 25, 1999

The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
U. S. House of Representatives
2 157 Rayburn House Office Building
Washington D.C. 205 15-6 143

Mr. Chairman:

Thank you for your January 26, 1999 letter requesting our participation in the March 4, 1999 hearing on H.R. 22, The Postal Modernization Act of 1999. Unfortunately, because of a prior commitment, I will not be able to attend.

In lieu of my direct testimony, the following details the Major Mailers Association's (MMA) view on H.R. 22 for your consideration.

First, a little background on MMA. Our association is comprised of mailers who individually produce over one million first-class mail pieces a month, which are mainly statements and bills. Our association has been extremely active in partnering with the Postal Service on classification initiatives as well as new product identification and implementation. We have also taken a lead role at the Postal Rate Commission in arguing for fair rates for first-class mailers and have been very successful in that regard. To date, we have been monitoring H.R. 22 and now believe our understanding is such that our comments may be useful.

One of the primary drivers of H.R. 22 is the fact that a significant portion of bills, statements and payments will move from hard copy delivery to electronic alternatives some time in the future. Most of our member companies either have electronic options in place or are moving in that direction. However, we do believe that the majority of the bills and statements we produce will continue to be delivered by the United States Postal Service into the foreseeable future.

Generally, MMA supports H.R. 22 as written and completely objects to the Postal Service's recently introduced amendments. We believe these amendments do not support your efforts to have a strong Postal Regulatory Commission and to provide a means to have equitable rates across all classes of mail. We would like to comment on two broad issues that do concern us about H.R. 22 and they are as follows:

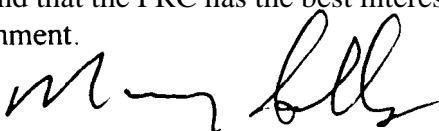
- Price Cap Ratemaking
- Private Law Corporation

Rate Cap Ratemaking – Our members have experienced the “boom and bust” ratemaking cycle over the years with the Postal Service and we endorse your efforts to attempt to achieve smaller and predictable rate increases. We also believe that holding the Postal Service to productivity gains and having baseline rates established through a rate case is appropriate. However, we are concerned that if the baseline rates for first-class mail do not correct the current situation in which first-class mail makes a disproportionate contribution to institutional costs, the problem will only be amplified with the rate cap proposal. We request that strong guidelines be given to the Postal Regulatory Commission (PRC) to correct this situation and to give the PRC the ability to set ambitious productivity gains.

Based on an annual review by the PRC on Postal expenses and revenues, we would also request that the PRC be given the authority to negate a rate increase in a given year when Postal finances dictate that there is no need to have an increase. We would also like to see a process in which some years from now, the PRC could invoke a rate case to affirm that the rate for each class of mail is at an appropriate level

Private Law Corporation – We have read with great interest the testimony Chairman Gleiman provided to you on February 11, 1999. We have struggled for some time on how to articulate our problem with the Private Law Corporation (PLC) and were pleased that Chairman Gleiman was able to identify the issues so well. We are extremely concerned that under the PLC, the Postal Service would have the ability to offer any service or product they so choose or even go to the competitive marketplace and acquire customers and competitors. We believe that the Postal Service, through H.R. 22, should be required to concentrate on their core business and let the free market alone. Utilizing USPS finances to move into new types of business when there is still so much more to be done in the core business does not make sense.

In conclusion, we would like to see all of Chairman Gleiman's issues debated before finalizing H.R. 22. As with your efforts to define a fair and balanced Postal Reform bill, we have always found that the PRC has the best interest of the nation in mind. Thank you for this opportunity to comment.

A handwritten signature in black ink, appearing to read 'Mury Salls', written in a cursive style.

Mury Salls – President
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